

Message Text

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ACTION EUR-25

INFO OCT-01 IO-13 ADP-00 SSO-00 NSCE-00 USIE-00 INRE-00

AGR-20 AID-20 CEA-02 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 CIEP-02 STR-08 TRSE-00 LAB-06

SIL-01 OMB-01 SS-15 NSC-10 L-03 RSR-01 PA-03 PRS-01

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O R 182255Z JUL 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 5550

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS UNN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

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PASS AGRICULTURE

E.O. 11652: NA

TAGS: ETRD, EEC, EAGR, OVIP (LARDINOIS)

SUBJECT: LARDINOIS JULY 20 WASHINGTON VISIT AND US
AGRICULTURAL EXPORT CONTROLS

1. SUMMARY. EC COMMISSIONER LARDINOIS LOOKS FORWARD TO HIS
JULY 20 WASHINGTON TALKS IN THE HOPE THAT THE RESULTS CAN
HELP CONTAIN THE SITUATION AND AVERT LASTING

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DAMAGE TO THE WORLD TRADE SYSTEM. THE FACT OF HIS FORTH-

COMING VISIT TO THE US HELPED DEFLECT PRESSURES AT THE EC AGRICULTURAL MINISTERS' MEETING JUST ENDED. LARDINOIS HOPES HIS TRIP CAN COINCIDE WITH SOME SMALL STEP TOWARD RELAXING OUR CONTROLS. HE BELIEVES THE US SHOULD CONSIDER AN INITIATIVE TO CALL AN INTERNATIONAL CONFERENCE ON THE FOOD SITUATION. END SUMMARY.

2. FOLLOWING THE TEMPESTUOUS EC COUNCIL MEETING OF AGRICULTURAL MINISTERS (REFTEL), AND JUST PRIOR TO HIS DEPARTURE FOR WASHINGTON, EC COMMISSIONER LARDINOIS (WITH RABOT AND WIJNMAALEN WHO ARE ACCOMPANYING HIM) REVIEWED THE SITUATION WITH AMBASSADOR GREENWALD AND MISSION OFFICERS. LARDINOIS STRESSED HIS DESIRE FOR THE FRANKEST AND MOST CONSTRUCTIVE TALKS POSSIBLE AGAINST THE BACKGROUND OF THE GRAVE VIEW THE COMMUNITY TAKES OF THE WORLD SHORTAGE OF PROTEIN AND THE CONSEQUENCES OF THE US EXPORT CONTROLS. LARDINOIS STRESSED THAT THE POLITICAL PRESSURES ARE STILL RISING IN EUROPE. THE FRENCH ARE THE MOST VOCAL AND INTENT ON EARLY ACTION -- AS DEMONSTRATED BY CHIRAC'S PERFORMANCE IN THE COUNCIL MEETING -- BUT THEY ARE NOT ALONE IN BEING DEEPLY CONCERNED.

3. LARDINOIS SAID THE FACT OF HIS TALKS WITH SECRETARY BUTZ AND OTHER KEY PEOPLE IN THE ADMINISTRATION HAD ENABLED THE COMMISSION TO WITHSTAND PRESSURES FOR HASTY AND ILL-CONSIDERED ACTIONS. THIS CIRCUMSTANCE MADE IT ALL THE MORE IMPORTANT THAT HE BE ABLE TO BRING BACK SOME REASSURING WORD FROM WASHINGTON.

4. LARDINOIS POINTED TO A NUMBER OF THESES WHICH ARE RAPIDLY GAINING CURRENCY IN THE COMMUNITY WHATEVER THE FACTS MAY BE ABOUT THE SOYBEAN SHORTAGE AND ITS HOPEFULLY TEMPORARY NATURE. THESE INCLUDE THE IDEA THAT THE WORLD HAS REACHED A TURNING POINT -- THAT IT HAS MOVED FROM SURPLUS TO SCARCITY IN BASIC COMMODITIES, GRAINS AS WELL AS PROTEIN-RICH CROPS, AND THAT EUROPE NEEDS TO (A) PROMOTE SELF-SUFFICIENCY AND (B) PROTECT ITSELF AS BEST IT CAN IN AN UNCERTAIN WORLD. THIS VIEW HAS OBVIOUS IMPLICATIONS FOR THE POSSIBILITY OF REVISING THE COMMON AGRICULTURAL POLICY, FOR THE STRENGTH OF THE COMMUNITY'S POSITION IN FAVOR OF INTERNATIONAL COMMODITY AGREEMENTS, AND FOR THE FORTHCOMING MULTILATERAL TRADE NEGOTIATIONS. INDEED, LARDINOIS FEELS THERE IS A RISK THAT THE CURRENT SITUATION

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(INTERNATIONAL MONETARY DISTURBANCES AS WELL AS EXPORT CONTROLS) WILL OVERWHELM THE TRADE NEGOTIATIONS UNLESS MATTERS ARE HANDLED VERY CAREFULLY.

5. LARDINOIS THINKS THERE IS AN EVEN MORE FUNDAMENTAL ISSUE AT STAKE THAN ANY OF THE MATTERS REFERRED TO ABOVE: THE DANGER THAT THE ENTIRE WORLD TRADING SYSTEM AS WE HAVE KNOWN IT WOULD BE DEFORMED OR DESTROYED IF THE SHORT TERM

US EMERGENCY ACTION SHOULD BECOME THE PATTERN FOR THE LONGER TERM. "FOR TWO CENTURIES AMERICA SET THE EXAMPLE FOR THE WORLD IN FAVORING FREE AND PRIVATE TRADE CHANNELS AND SANCTITY OF CONTRACTS." THIS IS NOW BEING QUESTIONED.

6. LARDINOIS CONSIDERS THAT THE EXPORT CONTROLS MUST BE LIFTED SOON OR THE INTERNATIONAL COMMUNITY WILL BE HEADED FOR WIDE-SPREAD STATE-TRADING WITH UNCERTAIN CONSEQUENCES. AS HE PUT IT, THE COMMUNITY HAS THE NECESSARY INSTRUMENTS TO OPERATE IN SUCH A WORLD. THESE INCLUDE SOME STANDBY MEASURES JUST DECIDED ON BY THE AGRICULTURE MINISTERS, FOR EXAMPLE, THE POSSIBILITY OF AN EXPORT TAX ON GRAINS. ACTIONS ALREADY TAKEN BY CANADA SHOW THAT, ONCE THE US ACTS, OTHERS FOLLOW SUIT.

7. LARDINOIS SAID THAT, IN PARTICULAR, HE DID NOT SEE HOW THE REST OF THE WORLD COULD HOLD STILL SHOULD THE US DECIDE THAT IT HAD TO CONTINUE EXPORT CONTROLS ON THE CROPS THAT WILL BE HARVESTED THIS FALL. SHOULD THE US LIFT ITS CONTROLS, THERE MIGHT BE A RISK OF HIGHER DOMESTIC PRICES. BUT THE PRESENT SITUATION WOULD BE INTOLERABLE FOR EUROPE IF PROLONGED SINCE THERE WOULD BE A MAJOR DIFFERENCE BETWEEN INTERNAL US PRICE LEVELS AND WORLD MARKET PRICE LEVELS FOR THE COMMODITIES IN QUESTION. THIS WAS A QUESTION OF EQUITY AND THE APPEARANCE OF EQUITY. (LARDINOIS CLAIMS THAT AT PRESENT THE GOING RATE FOR SOYBEANS IS ABOUT \$300 A TON IN THE US AND UP TO \$700 A TON LANDED IN ROTTERDAM.)

8. LARDINOIS HOPES THAT, IN ADDITION TO WHATEVER ESTIMATES AND ASSURANCES WE CAN PROVIDE ABOUT THE OUTLOOK, HE CAN BRING HOME SOMETHING SPECIFIC. (COMMENT: AS A POLITICAL ANIMAL, LARDINOIS OBVIOUSLY DESIRES A PERSONAL SUCCESS FROM A VISIT WHOSE TIMING HAS TURNED OUT TO BE FAIRLY DRAMATIC IN LIGHT OF THE EC COUNCIL MEETING. BUT HE IS ALSO SINCERE IN HIS EFFORTS LIMITED OFFICIAL USE

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TO WITHSTAND PRESSURES FROM EXTREMIST ELEMENTS IN THE COMMUNITY.)

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INR-10 NSAE-00 RSC-01 CIEP-02 STR-08 TRSE-00 LAB-06

SIL-01 OMB-01 SS-15 NSC-10 L-03 PA-03 PRS-01 RSR-01

/156 W

----- 122527

O R 182255Z JUL 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 5551

INFO AMEMBASSY BONN

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9. A SMALL RELAXATION OF OUR EXISTING CONTROLS TO COINCIDE WITH OR FOLLOW IMMEDIATELY ON LARDINOIS' VISIT COULD PAY POLITICAL DIVIDENDS. ONE IDEA MENTIONED BY LARDINOIS IS THE POSSIBILITY OF FINDING THE DATE, PERHAPS IN MAY, AT WHICH SPECULATIVE CONTRACTS STARTED BUILDING UP MASSIVELY. WHILE THERE IS PRESUMABLY NO WAY TO DIFFERENTIATE AS AMONG INDIVIDUAL CONTRACTS, WOULD IT BE POSSIBLE TO PERMIT CONTRACTS PRIOR TO THE BIG BUILDUP TO BE HONORED 100 PERCENT? WE, OF COURSE, HAVE NO IDEA AS TO THE VALIDITY OR THE FEASIBILITY OF SUCH AN APPROACH. IF NOT POSSIBLE OR DESIRABLE, LIMITED OFFICIAL USE

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PERHAPS SOME OTHER SMALL STEP COULD BE CONSIDERED.

10. WITH REGARD TO THE MEDIUM AND LONGER TERM, LARDINOIS MENTIONED THAT ERTL, IN THE COUNCIL SESSION, TWICE RAISED THE POSSIBILITY OF AN INTERNATIONAL CONFERENCE TO REVIEW THE WORLD FOOD SUPPLY SITUATION. ERTL'S IDEA, NOT SPELLED OUT IN ANY DETAIL, WOULD BE TO INCLUDE THE WORLD'S PRINCIPAL EXPORTING

AND IMPORTING COUNTRIES. LARDINOIS SAID THAT HE DID NOT REACT TO THIS IDEA IN THE COUNCIL MEETING BECAUSE HE IS CONVINCED THAT THE INITIATIVE FOR ANY SUCH CONFERENCE SHOULD COME FROM THE US.

11. LARDINOIS THINKS THAT A US INITIATIVE, AT THE RIGHT TIME AND UNDER THE RIGHT CIRCUMSTANCES, LOOKING TOWARD AN AD HOC CONFERENCE OF THE MAJOR PARTIES COULD BE EXTREMELY USEFUL. LARDINOIS AND HIS STAFF MEMBERS RECOGNIZED THAT THERE ARE RISKS INHERENT IN ANY SUCH INITIATIVE. FOR IT TO BE SUCCESSFUL, THERE WOULD HAVE TO BE A WELL-FOUNDED EXPECTATION THAT THE US FIRMLY INTENDED TO END EXPORT CONTROLS BY ABOUT OCTOBER AT THE LATEST. IF THE US CAN SEE AHEAD CLEARLY ENOUGH, THEN THEY THOUGHT SUCH A MEETING MERITED VERY SERIOUS CONSIDERATION. (COMMENT: AN INITIATIVE ALONG THESE LINES COULD FIT IN WITH THE PRESIDENT'S JUNE 13 STATEMENT THAT THE US INTENDS TO CONSULT WITH OTHER COUNTRIES ABOUT THE PROBLEM OF RISING FOOD PRICES.) GREENWALD

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 18 JUL 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973ECBRU04086
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730726/aaaaatft.tel
Line Count: 241
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 29 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29-Aug-2001 by smithrj>; APPROVED <01-Nov-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: LARDINOIS JULY 20 WASHINGTON VISIT AND US AGRICULTURAL EXPORT CONTROLS
TAGS: ETRD, EAGR, OVIP, EEC, (LARDINOIS)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005